



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/023

UNHCR operations in Ethiopia

Overall results relating to the effective management of UNHCR operations in Ethiopia were initially assessed as unsatisfactory. No recommendation has been fully implemented; implementation of three critical recommendations and five important recommendations remains in progress.

FINAL OVERALL RATING: UNSATISFACTORY

25 March 2013

Assignment No. AR2012/112/03

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-9
A. Project management	3-7
B. Regulatory framework	7-9
IV. ACKNOWLEDGEMENT	9
ANNEX I Status of audit recommendations	
APPENDIX 1 Management response	

AUDIT REPORT

UNHCR operations in Ethiopia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) operations in Ethiopia.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNHCR Representation in Ethiopia (the Representation) was opened in 1966. The population of concern in October 2012 consisted of 367,000 refugees and asylum seekers from Somalia, Sudan and Eritrea. There were 16 refugee camps in Ethiopia: five with Eritrean, three with Sudanese and eight with Somali refugees.
4. The Representation was working with 18 Implementing Partners (IPs) in 2010, 22 in 2011 and 23 in 2012. The Representation had a branch office located in Addis Ababa, five sub-offices in Jijiga, Gambella, Assosa, Shire and Dollo Ado, one field office in Alamata and 12 field units.
5. The budget/expenditures of the Representation for 2011 were \$83 million/\$76 million, for 2010 \$46 million/\$44 million. Emergency operations caused the budget for 2012 to remain high at \$79 million. In February 2012, the operation had 410 posts of which 334 were filled. The Representation held 1,801 property items with a purchase value totaling \$15.3 million as at the time of the audit.
6. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit of UNHCR operations in Ethiopia was conducted to assess the adequacy and effectiveness of the Representation governance, risk management and control processes in providing reasonable assurance regarding **the effective management of UNHCR operations in Ethiopia**.
8. This audit was included in IAD's 2012 risk-based annual work plan following discussion with the Africa Bureau. It was rated as high risk because of the risk presented by two new emergencies in 2011, which resulted in a 78 per cent budget increase.
9. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that provide reasonable assurance that that there is accurate and complete monitoring and reporting of IP project activities and that the projects have been carried out in compliance with UNHCR policies and procedures.
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the operations of Ethiopia. This includes ensuring adequate controls over financial management, procurement activities, asset and inventory management and

compliance with Minimum Operating Security Standards for all offices. It also includes ensuring the reliability and integrity of financial and operational information.

10. The key controls were assessed for the control objectives shown in Table 1 below.
11. OIOS conducted this audit from May to July 2012. The audit covered the period from 1 January 2010 to 14 June 2012.
12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The Representation's governance, risk management and control processes examined were **unsatisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Ethiopia**. OIOS made eight recommendations to address issues identified in the audit. Project management was assessed as unsatisfactory because of persistent problems relating to non-compliance with the agreements by the main government partner who accounts for half, around \$21 million, of all Implementing Partner (IP) expenditures. Lack of adequate monitoring of IP performance and expenditures reported by IPs was one of the main issues affecting effective project management. The recommendations in external audit reports of IP sub-projects highlighting questionable IP expenditures of \$2.4 million were not followed up and related unsupported expenditures were not recovered. Other issues related to the need to implement Results Based Management in IP agreements in accordance with rules.
14. Regulatory framework was assessed as partially satisfactory because of the need to strengthen controls in the areas of procurement, asset management and compliance with Minimum Operating Security Standards. Areas for improvement included the need to assess the efficiency of delegating procurement to IPs, and asset and inventory verifications.
15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of three critical recommendations and five important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in Ethiopia	(a) Project management	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: UNSATISFACTORY					

A. Project management

Absence of action to address Government IP failure to fully adhere to agreements

16. The Government Partner with whom UNHCR has worked for over 40 years is funded 100 per cent by UNHCR. The 2011 Government IP budget was \$21.2 million, which represented half of the resources allocated to IPs. In its previous audit (AR2009/112/01), OIOS expressed the view that the significant level of involvement by the Government of Ethiopia (GOE) in UNHCR operations, coupled with the deficiencies and lack of IP accountability observed by internal and external review bodies, called for a high level intervention by UNHCR at Headquarters. OIOS recommended that the Office of the High Commissioner engage the GOE to seek redress for the breaches of the Country Agreement and the provisions of the Right of Use Agreements. OIOS observed similar issues to those that gave rise to its previous recommendation. This included the IP selling assets and retaining proceeds without the permission of UNHCR, and the inability of UNHCR to verify use of assets by the IP, which were valued at \$5 million at the time of the audit. OIOS has closed recommendation 2 of its previous report (AR2009/112/01/02) and replaced it with following reflecting the situation found at the time of this audit.

(1) The Office of the High Commissioner should engage the Government of Ethiopia to seek redress for the breaches of the Country Agreement, the Implementing Partner (IP) agreement, and the provisions of the Right of Use Agreements by the Government IP.

UNHCR accepted recommendation 1 and stated the Deputy High Commissioner (DHC) paid a visit to Ethiopia Operation from 24th February to 2nd March 2013. As part of his visit, the DHC has discussed with ARRA Director and GoE authorities outstanding issues raised in the Audit report. ARRA and GoE authorities have agreed to take corrective actions in coordination with the UNHCR Representation in Ethiopia. Recommendation 1 remains open pending receipt of signed action plan by the government IP for implementation in order to comply with the agreements.

Lack of follow-up on weaknesses identified in external audits of UNHCR IP projects

17. The external auditors of IP sub-projects had reported weaknesses in controls and raised questions on expenditures reported by the IPs totaling \$2.4 million. There were four IP sub-projects with qualified audit opinions. However, the Representation had not followed up on any of the external auditors recommendations, which was a responsibility assigned to the Representative. The Representation explained that the lack of follow-up was due to the heavy emergency work load. The failure to follow up these recommendations caused the Representation to miss an opportunity to build the capacity of IPs in financial controls and management, recovery of financial resources. The most important findings raised by the external auditors were:

- Three IP sub projects had outstanding commitments totaling \$563,000, which the auditor could not verify as expenditures. The Representation had not subsequently verified the genuineness of these commitments although it recorded them as expenditures.
- Six IP sub projects reported over-expenditures that were reported beyond the permissible limit totaling \$1.8 million. There was no evidence that the Representation had approved these over-expenditures as required.

- Two sub projects had unsupported expenditures totaling \$51,000, which the Representation had not yet recovered from the IPs.
- Six IPs had procurement weaknesses that resulted in noncompliance with IP procurement guidelines. There was no competitive bidding, requisitions and Goods Received Notes were not used to support payments, and construction projects were not supported by bill of quantities and specifications.
- Five IPs had serious weaknesses in the management for UNHCR assets provided to them. There were no asset registers and logbooks were not used in vehicles to support adequacy of use under the relevant projects.

(2) The UNHCR Representation in Ethiopia should implement an action plan to follow up on all recommendations in implementing partners (IP) external audit reports, including: (a) assessing the validity of commitments reported as expenditures (\$563,000) and unauthorized over-expenditures (\$1.8 million); (b) recovering unsupported expenditures (\$51,000); (c) addressing weaknesses identified at all IPs including weak budget monitoring, and procurement and asset controls; and (d) assessing whether to reduce project activities given to IPs in order to reduce risks of loss of financial resources.

The UNHCR Representation in Ethiopia accepted recommendation 2 and stated with regard to (a) ARRA has committed to providing the relevant supporting documents and has thus far accounted for some \$228,000 of the commitments. The \$1.8 million expenditure relates to the emergency of 2011 for hot meals provided to new arrivals were verified, approved and authorized by UNHCR. The amount was fully paid in 2012. With regard to (c), project control functions have been strengthened with the project control officer posts now filled. The project control officers will review the audit reports of IPs and bring issues to the attention of the IP Selection Committee. As a regular activity but also to address any weaknesses identified in the reports, the first training session will be conducted by 31 March 2013. Recommendation 2 remains open pending receipt of supporting documents for (a) assessment of validity of commitments of full \$563,000 and recovery of unsupported expenditures of \$51,000; and, (b) supporting documents on how to address weaknesses at all IPs as identified by the external audit reports.

Action needed to clarify performance targets for implementing Results Based Management in IP agreements

18. The formulation of performance targets in the IP agreements did not specify the level of UNHCR standards that would be reached at the end of 2012 because they were mostly formulated as numbers of activities. For example, information on the performance target for percentage of households with latrines (baseline 80 per cent, standard 100 per cent), pegged at 100 household latrines, did not include an explanation of how the target would contribute to achieving UNHCR standards in the camps. The Representation explained that there had been a lack of programme staff in the Branch Office in 2011 to adequately implement results based management in the IP agreements. There had been no Senior Programme Officer between September 2011 and February 2012, which was at the height of the emergency.

(3) The UNHCR Representation in Ethiopia should develop an action plan to ensure that the Results Based Management Framework is used to define adequate performance indicators and targets for each of the Implementing Partner agreements in order to periodically gauge the envisioned level of achievement of UNHCR standards.

The UNHCR Representation in Ethiopia accepted recommendation 3 and stated that the action plan was developed and implemented. Baselines and targets have been streamlined and inserted into the 2013 Plan and into the IP agreements that have been signed. OIOS appreciates the work done and harmonization in the IP agreements. However, more than half of all IP targets are ‘output targets’ in the IP agreements, such as ‘400 latrines built’. These output targets do not make clear how they contribute to the actual achievement of the UNHCR standard or improve the ‘baseline value’ at the beginning of the year for ‘percentage of families with latrines’. The risk remains that the Representation as a whole will not achieve its targets when only providing ‘output targets’ to IPs. Recommendation 3 remains open pending receipt of supporting documentation enabling the link between output targets set for IPs to performance targets for UNHCR as a whole, which intend to achieve UNHCR standards in the camps over time.

Monitoring of IPs was weak

19. There was no documentation in the programme files of any performance monitoring activities conducted by UNHCR staff. In addition, the Representation did not have an annual plan for performing monitoring activities. Hence, there was no assurance as to whether project activities implemented by IPs were in line with agreed performance targets and work plan. For monitoring of IP expenditures, out of the 39 sub-projects in 2011, there were only ten documented financial verification reports available. Moreover, the extent of the testing of IP expenditures could not be assessed because it was not documented in these reports, and there was no evidence that any weaknesses were followed up in order to improve the controls at IPs. The Representation explained that the situation was caused by the lack of programme staff and aggravated by the emergencies in 2011.

20. Furthermore, even though the Representation had delegated significant amount of construction activities to IPs totaling \$11.5 million, there were no monitoring procedures for constructions implemented. As a result, there were significant delays in these construction works causing IP sub-projects not to be finished by the end of 2011. The IP concerned was constructing health clinics, schools and reception centers for refugees, but had not implemented monitoring controls of its own construction activities and was unable to provide the status of its projects with a hospital in a camp not yet completed from UNHCR 2009 project. From 2010 projects, constructions in the amount of \$529,000 were still not completed.

- (4) The UNHCR Representation in Ethiopia should implement an annual monitoring plan that includes: (a) performance monitoring activities that assess the implementing partners’ (IPs) performance against agreed targets and work plan; (b) adequate and documented financial monitoring activities; and (c) monitoring of construction activities implemented by IPs.**

The UNHCR Representation in Ethiopia accepted recommendation 4 and stated that: (a) annual monitoring plan was developed; (b) UNHCR has discussed this issue with the Government Auditor General’s Office (AGO); however, the attempts have not been successful. Support has been obtained from headquarters to prepare templates for monitoring of progress. Templates were sent by end of January 2013 to all Sub-Offices for use; and (c) A schedule of joint visits together with field office was completed. Whilst OIOS appreciates the monitoring plan provided, additional work is required to ensure full compliance with the rules. Part (a) on performance monitoring does not specify who from UNHCR staff will conduct the performance monitoring visits per IP and per location in order to provide assurance on the activities implemented by IPs. For part (b) on financial monitoring, the requirements in the UNHCR manual and per the IP agreements state that UNHCR staff should verify the IP expenditures, so, the need for AGO to be involved is not clear. The Representation should implement an annual monitoring plan for UNHCR staff to verify IP expenditures for all IPs in order to provide assurance on

IP expenditures reported by IPs. For part (c) on the monitoring of construction activities, OIOS appreciates the listing of construction activities provided, but the rules require monitoring by UNHCR staff of these constructions to verify their quality, progress and completeness, which should be covered by the implementation of an annual monitoring plan of these constructions detailing UNHCR staff assigned and monitoring visits scheduled by these staff. Recommendation 4 remains open pending receipt of supporting documentation of implementation of an annual monitoring plan detailing who from each UNHCR office and when will monitor the performance of IPs, similarly for the financial verification of IP expenditures and also for the monitoring of construction activities implemented by IPs.

Action was taken to ensure signing of IP agreements on time and follow-up of performance reports with IPs

21. For projects that commenced in January 2012, the first payment installments for at least 11 IP agreements were not transferred until March and April 2012, which caused delays in project implementation. This was caused by the late preparation of IP agreements and the long time (over one month) required by the Government IP to sign the IP agreements. The Representation had taken remedial action by agreeing in advance a plan, made in 5 November 2012, for approving 2013 IP agreements. Based on the action taken, no further action was recommended.

22. As per the agreed reporting dates in each of the IP agreements, each IP should report twice per year on the achieved project performance. However, at the time of the audit, the Representation had not received 2011 project performance reports, from seven IPs, that were past due, due to lack of a mechanism to follow up with IPs. The Representation had taken remedial action by implementing a follow-up mechanism that included regular meetings with IPs, written follow-up letters and telephone reminders. Based on the action taken, no further action was recommended.

Action was taken to address need for Best Interest Assessments (BIA) for unaccompanied and separated children

23. Although the Representation had in total 2,251 unaccompanied or separated children under its care in the camps, only very few (less than six per cent) BIAs had been conducted at the time of the audit. The Representation had taken remedial action by implementing Standard Operating Procedures for BIA for all locations and planned to conduct BIA for all unaccompanied and separated children in 2013. Based on the action taken, no further action was recommended.

Action needed to monitor distribution of non-food items (NFIs) valued at \$10 million

24. There was no documentation showing that UNHCR staff had monitored the distribution of NFIs, as required by rules. Although field staff explained that they were usually present at NFI distributions, there was no documentation of such presence or on-site checks performed. Furthermore, the Representation had not implemented controls to reconcile the number of NFI items issued from the warehouse to the distributed numbers reported in the distribution reports. Hence, there was no assurance that the distributed NFI items, valued in total at \$10 million for both 2011 and 2012, had reached the intended beneficiaries.

(5) The UNHCR Representation in Ethiopia should develop an action plan to monitor the distribution of non-food items, including reconciling total numbers between warehouse and distributions, and reporting on distribution site visits and checks conducted by UNHCR staff, and retroactively reconcile distributed numbers to issued totals from the warehouse for both 2011 and 2012 valued in total at \$10 million.

The UNHCR Representation in Ethiopia accepted recommendation 5 and stated that Standard Operating Procedures have been shared with ARRA for comments prior to finalization. The records of assets in MSRP for 2012 are now up to date. Supply Unit will quantify all the items sent to ARRA in 2011 for distribution and request for distribution reports. OIOS appreciates the asset records are up-to-date, but is awaiting the action plan on how distributions of NFIs will be monitored by UNHCR. Recommendation 5 remains open pending receipt of supporting documentation of implementation of action plan, to monitor the distribution of non-food items, and supporting documentation for reconciling distributed numbers to issued totals from the warehouses for 2011 and 2012 valued at \$10 million.

B. Regulatory framework

Action was taken to evaluate the effectiveness of pilot emergency staff deployment

25. In 2011, the Representation handled two emergencies that were used as pilots for a new staffing approach for emergency deployments in UNHCR. The approach in practice involved multiple changes of staff, with little time for adequate handover, which the Representation attributed as one of the underlying causes of the control weaknesses described in this report. At the time of the audit, no exercise had been undertaken to draw lessons learned from the pilots, which was needed to evaluate the effectiveness of the approach. Subsequent to the audit, UNHCR Headquarters constituted a team for a mission to Ethiopia in August 2012, which reported on lessons learned. Based on the action taken, no further action is recommended.

Action was taken to monitor administrative budgets for all field offices

26. At the time of the audit, the 2011 administrative budgets for four out of six offices were overspent in total by \$928,000, which was not allowed by the rules. This was caused by little financial monitoring of sub office expenditures. The Representation had taken remedial action by implementing from August 2012 the required monthly monitoring procedures. Based on the action taken, no further action is recommended.

Need to assess efficiency of procurement by establishing a consolidated procurement plan

27. The Representation had delegated large amounts of procurement to IPs without taking into account the Value Added Tax (VAT) effect (15 per cent) that every IP had to pay in Ethiopia. For the two IPs reviewed with the largest amounts of delegated procurement authority, OIOS calculated that the Representation had lost \$325,000 for the VAT paid on procurement for construction and shelter materials. There was no consolidated procurement plan for the operation that could have helped the Representation assess the efficiency and effectiveness of delegating procurement to IPs. The Local Committee on Contracts (LCC) had never been provided the opportunity to review and approve the delegation of procurement over \$100,000 to IPs as required.

(6) The UNHCR Representation in Ethiopia should prepare a consolidated procurement plan and assess the efficiency and effectiveness of delegating procurement to implementing partners (IP) by ensuring that the Local Committee on Contracts review and approve the delegation of authority, prior to signing the IP agreements, and take into account the Value Added Tax effect.

The UNHCR Representation in Ethiopia accepted recommendation 6 and stated that the procurement plans were sent to headquarters on 15 January 2013. The consolidated Procurement Plan has been completed. An audit firm to be contracted to conduct an assessment of the VAT for all procurement

delegated to IPs in excess of US\$100,000. OIOS appreciates the preparation of the consolidated procurement plan for Non-Food Items (NFIs). However, a consolidated procurement plan should include all procurements for the whole operation, not only NFIs, but also office and other services, food items, construction and shelter materials etc. Recommendation 6 remains open pending supporting documentation for a complete consolidated procurement plan and the assessment of efficiency and effectiveness of delegating procurement to IPs taking into account the VAT effect; and, the review and approval by the LCC of delegating such procurement to IPs.

Asset and inventory management was weak

28. The Representation lacked procedures to ensure that asset management records were up-to-date. Asset records were only updated at the Branch Office in Addis Ababa. Moreover, the Representation had not conducted physical verification of all assets. Although the Representation had physically verified property, plant and equipment (PPE) items with a purchase value of \$13.6 million, it had not physically verified serially-tracked items (STIs) costing \$2.3 million. The Representation had not been able to conduct a physical verification of most of the UNHCR assets held by the government IP with a purchase value of \$5 million because the government IP did not allow UNHCR staff access to the assets.

29. Due to the difficulties in the monitoring and physical verification of assets, the Representation had decided to transfer ownership of all assets already used for programme implementation to the government IP. A transfer of ownership of UNHCR assets meant that all liabilities and maintenance charges would have to be transferred to the new owner. However, all vehicles held by the government IP still had UN number plates, which posed reputation and financial risks to the Representation. The Representation also continued to pay insurance and maintenance costs for those cars. This was not in compliance with the transfer of ownership agreement

30. The Representation also lacked procedures to ensure that warehouse management records for NFIs and drugs (approximately \$10 million worth of NFIs and drugs passed through the warehouses annually) were up-to-date. None of the six warehouses in the field were reflected in the inventory management records in Managing Systems Resources Planning (MSRP). The Representation had not conducted a full physical verification of inventory items. The manual records in the four warehouses visited were also not up-to-date. Stock cards were not kept, issuances from the warehouses were not always properly approved, receiving documents were not always prepared and transfers of stock between warehouses were not recorded or reconciled.

(7) The UNHCR Representation in Ethiopia should create an action plan to: (a) physically verify all UNHCR assets and inventories, and update the asset and inventory records accordingly; and (b) assess, in cooperation with the Bureau for Africa, the risks and costs involved in transferring assets to a government implementing partner, including the non-compliance with the transfer of ownership agreement, and agree on a possible solution.

The UNHCR Representation in Ethiopia accepted recommendation 7 and stated that (a) physical verification was undertaken by SMS and the Representation Office. Asset Management Module in MSRP was updated accordingly. All UNHCR assets were physically verified. (b) A draft letter to the Ministry of Internal Affairs has been sent to headquarters (through the bureau) for the High Commissioner signature. OIOS appreciates the action taken and the supporting documents received for the verification of PPE carried out. The physical verification of STIs is also required, and the physical verification of inventory items including the accounting for differences found. Recommendation 7 remains open pending supporting documentation for (a) the full verification of STIs and inventory items including accounting for differences, and (b) the assessment of risks and costs involved of transferring assets valued at \$5 million to government IP which is in noncompliance with transfer of ownership

agreement.

UNHCR offices were not fully compliant with Minimum Operating Security Standards (MOSS)


31. All UNHCR field offices in Ethiopia were not fully compliant with MOSS requirements. For example, back-up generators were not always present, safe rooms were not always set up, and the necessary radio communication equipment were missing. The Representation indicated that it was working on having all offices upgraded to MOSS compliant status, but it lacked a plan to ensure implementation. There is an increased security risk to UNHCR staff and assets.

(8) The UNHCR Representation in Ethiopia should implement a plan to ensure that all field offices are in full compliance with the Minimum Operating Security Standards for Ethiopia.

The UNHCR Representation in Ethiopia accepted recommendation 8 and stated that Implementation is ongoing. The 2013 Admin approved budget includes planned activities aimed at MOSS compliance in all offices. A UNDSS mission is coming in 2013 to support this exercise. It is anticipated that UNHCR Ethiopia will be MOSS compliant. Recommendation 8 remains open pending receipt of supporting documentation of a plan to ensure that all field offices are in full compliance with MOSS.

IV. ACKNOWLEDGEMENT

32. OIOS wishes to express its appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.



Mr. David Kanja, Assistant Secretary-
General
Internal Oversight Services, OIOS

STATUS OF AUDIT RECOMMENDATIONS

UNHCR operations in Ethiopia

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The Office of the High Commissioner should engage the Government of Ethiopia to seek redress for the breaches of the Country Agreement, the Implementing Partner (IP) agreement, and the provisions of the Right of Use Agreements by the Government IP.	Critical	O	Signed action plan by the government IP for implementation in order to comply with the agreements.	31 December 2013
2	The UNHCR Representation in Ethiopia should implement an action plan to follow up on all recommendations in implementing partners (IP) external audit reports, including: (a) assessing the validity of commitments reported as expenditures (\$563,000) and unauthorized over-expenditures (\$1.8 million); (b) recovering unsupported expenditures (\$51,000); and (c) addressing weaknesses identified at all IPs including the weak budget monitoring, procurement and asset controls, and (d) assessing whether to reduce project activities given to IPs in order to reduce risks of loss of financial resources.	Critical	O	(a) Assessment of validity of commitments of full \$563,000 and evidence of recovery of unsupported expenditures of \$51,000; (b) Action plan how the Representation will address weaknesses at all IPs as identified by the external audit reports.	31 December 2013
3	The UNHCR Representation in Ethiopia should develop an action plan to ensure that the Results Based Management Framework defines adequate	Critical	O	Supporting documentation evidencing the link between output targets set for IPs in IP agreements to performance targets for UNHCR	31 December 2013

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

Recom. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	performance indicators and targets for each of the Implementing Partner agreements in order to gauge the envisioned level of achievement of UNHCR standards.			as a whole, which intend to achieve UNHCR standards in the camps over time.	
4	The UNHCR Representation in Ethiopia should implement an annual monitoring plan that includes: (a) performance monitoring activities that assess the implementing partners' (IPs) performance against agreed targets and work plan; (b) adequate and documented financial monitoring activities; and (c) monitoring of construction activities implemented by IPs.	Important	O	Implementation of an annual monitoring plan detailing who from each UNHCR office and when will monitor the performance of IPs, similarly the financial verification of IP expenditures and also the monitoring of construction activities implemented by IPs.	31 December 2013
5	The UNHCR Representation in Ethiopia should develop an action plan to monitor the distribution of non-food items, including reconciling total numbers between warehouse and distributions, and reporting on distribution site visits and checks conducted by UNHCR staff, and retroactively reconcile distributed numbers to issued totals from the warehouse for both 2011 and 2012 valued in total at \$10 million.	Important	O	Implementation of action plan to monitor the distribution of non-food items, and supporting documentation for reconciling distributed numbers to the issued totals from the warehouses for 2011 and 2012 valued at \$10 million.	31 December 2013
6	The UNHCR Representation in Ethiopia should prepare a consolidated procurement plan and assess the efficiency and effectiveness of delegating procurement to implementing partners (IP), by ensuring that the Local Committee on Contracts review and approve the delegation of authority ¹ prior to signing the IP agreements, and take into account the Value Added Tax effect.	Important	O	Complete consolidated procurement plan and the assessment of efficiency and effectiveness of delegating procurement to IPs taking into account the VAT effect; and, the review and approval by the LCC of delegating such procurement to IPs.	31 December 2013
7	The UNHCR Representation in Ethiopia should create an action plan to: (a) physically verify all UNHCR assets and inventories, and update the asset and inventory records accordingly; and (b) assess, in cooperation with the Bureau for Africa, the risks and costs involved in transferring assets to a government implementing partner, including the non-compliance with the transfer of ownership agreement, and agree on a possible solution.	Important	O	(a) Full verification of Serially Tracked asset Items, inventory items including accounting for differences; and, (b) Assessment of risks and costs involved of transferring assets valued at \$5 million to government IP which is in noncompliance with transfer of ownership agreement.	31 December 2013

Recom. no.	Recommendation	Critical¹/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
8	The UNHCR Representation in Ethiopia should implement a plan to ensure that all field offices are in full compliance with the Minimum Operating Security Standards for Ethiopia.	Important	O	Supporting documentation of a plan to ensure that all field offices are in full compliance with MOSS.	31 December 2013